

STATE WATER RESOURCES CONTROL BOARD MEETING
SACRAMENTO, CALIFORNIA
JUNE 18, 1998

ITEM: 13

SUBJECT: CONSIDERATION OF APPROVAL OF A RESOLUTION TO PROVIDE A STATE REVOLVING FUND LOAN TO THE NATURE CONSERVANCY FOR ACQUISITION OF COSUMNES RIVER WATERSHED/HABITAT LANDS FOR PRESERVATION OF WETLANDS, PROTECTION OF THE COSUMNES RIVER HABITAT, AND GROUND WATER REPLENISHMENT (LOAN NO. C-06-6054-110)

DIS- The Nature Conservancy (Conservancy) submitted an application for an
CUSSION: \$8 million State Revolving Fund (SRF) loan to help acquire in fee the 13,000-acre Howard Ranch in south Sacramento County. The purchase price is \$14.3 million. The Conservancy negotiated a six month option term with the owners of Howard Ranch in May 1998. The Conservancy will receive supplemental funding for the purchase from the North American Wetlands Conservation Act (NAWCA) administered by the Migratory Bird Conservation Council according to the North American Waterfowl Management Plan, the California Wildlife Conservation Board (WCB), and private sources.

The purpose of the loan will be to protect water resources and wildlife habitat within the Cosumnes River Watershed. Howard Ranch is rich in high quality vernal pools and other wetlands, oak woodlands and grasslands, and ephemeral streams including Laguna Creek, a tributary to Cosumnes River.

In 1991, the Conservancy commissioned a study to evaluate the threats to natural communities within the Cosumnes River Watershed. This study ranked vernal pool habitats as the most vulnerable natural community within the Watershed and recommended that their conservation should be the top strategic priority. The vernal pools are extraordinary for their integrity, density, and diversity of soil and geographic formations. The proposed acquisition will ensure protection of these pools, as well as associated uplands, in perpetuity. Vernal pools contain in themselves a uniquely diverse flora and fauna found nowhere else and, because of this fact, contribute to the preservation of the region's biodiversity.

Howard Ranch provides critical habitat for many plants and animals adapted to inundation during the wet season and near complete dryness during the summer. The pools provide grazing habitat for wintering geese and an essential high protein food source for migratory ducks, geese, shorebirds and other birds at the critical time of the year when they are required for building flight muscles and reproductive organs. Howard Ranch represents one of the last remaining large contiguous blocks of this vernal pool/grasslands/oak woodlands matrix that is undisturbed. Nine listed or candidate species from the Federal Endangered Species Act will be protected through this project: vernal pool fairy shrimp, tadpole shrimp, slender orcutt grass, Sacramento orcutt grass, peregrine falcon, giant garter snake, California tiger salamander, Swainson's hawk, and greater sandhill crane.

In addition to habitat and wetland protection, the Conservancy purchase of Howard Ranch will protect water supplies from overgrazing, conversion of rangelands to vineyards, and encroaching development. In 1997, the U.S. Census Bureau reported that the population of Sacramento County grew by 7.3 percent during the period between 1990 and 1996, contributing approximately 1.2 million individuals to the statewide total of nearly 32 million people. As these additions continue, there is heightened pressure to subdivide and develop the farms and ranches on the urban fringes. Many of the other lands in the region outside the County's urban services boundary have been purchased by speculators.

According to the Central Valley Regional Water Quality Control Board's (CVRWQCB) Basin Plan, specific uses benefited by protection and restoration of Howard Ranch include municipal and domestic supply and agricultural supply, given the project's positive effects to the Cosumnes River and to the Delta. Water contact recreation and non-contact water recreation downstream should also be enhanced. Improved riparian and stream conditions will contribute to the recovery of stream water supplies; consequently, ground water recharge and freshwater replenishment of surface waters will be improved at the site, as well as downstream.

Because the Cosumnes River provides important rearing habitat for fall-run chinook salmon, opportunities for spawning, reproduction, and early development of fish will be maintained or enhanced. Cold freshwater habitat will be improved in the Laguna Creek headwaters due to riparian and bank restoration. Warm freshwater habitat in the lower Cosumnes floodplain will also be improved, as well as the estuarine habitat of the Delta.

The loan will help the Conservancy in its ongoing efforts on the Cosumnes River, the largest undammed Sierra Mountain river flowing into the Central Valley. The Conservancy has established partnerships with public and private entities to protect more than 12,000 acres known as the Cosumnes River Preserve. The Cosumnes River Preserve provides education and outreach to thousands of students and volunteers to take an active role in watershed protection.

Cosumnes River Preserve management partners include the U.S. Bureau of Land Management, Department of Fish and Game, Ducks Unlimited, U.S. Environmental Protection Agency (U.S. EPA), U.S. Fish and Wildlife Service, Sacramento County, American Farmland Trust, Natural Resources Conservation Service (NRCS), and the Conservancy. Approval of the SRF loan will make the State Water Resources Control Board (SWRCB) and the CVRWQCB partners as well, which would be vital to the long term success of restoration in the Watershed.

Protection of vernal pools and other wetlands in the County is supported by the Sacramento County General Plan and the draft South Sacramento County Habitat Conservation Plan. These plans identify this region as important to protect due to the high density and quality of vernal pools and other biological resources.

Other prominent initiatives/plans that identify protection of vernal pools within the Cosumnes River Watershed include the Partners in Flight/Riparian Habitat Joint Venture (for which the Watershed is a flagship site), the North American Waterfowl Management Plan (the Watershed is within the Central Valley Habitat Joint Venture Delta Basin), and the U.S. Fish and Wildlife Service's "Concept Plan for Waterfowl Wintering Habitat Preservation, Central Valley."

Habitat restoration in the area is supported by the CALFED Ecosystem Restoration Program. CALFED has committed approximately \$10 million towards acquisition in the Cosumnes River floodplain protection effort.

The Comprehensive Conservation and Management Plan for the San Francisco Bay/Delta Estuary (part of the U.S. EPA's National Estuary Program) identifies wetland and riparian protection and restoration activities consistent with this project. This qualifies the Project for an SRF loan under Section 320 as well as Section 319 of the Federal Clean Water Act.

The dedicated repayment source for the SRF loan will be a combination of public and private funds raised by the Conservancy and the resale of portions of the Howard Ranch subject to an agricultural easement through the NRCS's Wetlands Reserve Program (WRP). This easement requires implementation of restoration activities focused on aquatic and terrestrial habitats (e.g., prescriptions for grazing schedules, restoration of springs, and the fencing of sensitive wetlands). The Conservancy will work with NRCS to develop and implement a plan detailing these activities. The Conservancy will then sell the property to a private rancher with the guarantee that the ecosystem process and water quality on the ranch will not be degraded. The Conservancy will guarantee the loan to terms satisfactory to the SWRCB. The SWRCB could also secure the loan with a first deed of trust on the property.

The Conservancy plans to complete the purchase by October 1998. For this reason, the Project Priority List for Federal Fiscal Year (FFY) 1998 needs to be updated to include this Project. The Project is exempt from the California Environmental Quality Act, Public Resources Code Section 21000 et seq., as a project to protect natural resources and the environment (California Code of Regulations, Title 14, §§15307 and 15308).

POLICY
ISSUE:

Should the SWRCB:

1. Update the Project Priority List for FFY 1998 to include the Project;
2. Subject to No. 3 below, approve an SRF loan for \$8 million to the Conservancy for the Acquisition Of Cosumnes River Watershed/Habitat Lands For Preservation Of Wetlands, Protection Of The Cosumnes River Habitat, And Ground Water Replenishment; and
3. Approve an SRF loan contingent upon (a) the Conservancy completing the transaction by June 1999 and (b) the SWRCB approving the method of repayment?

FISCAL
IMPACT:

According to SWRCB Resolution No. 97-001 (Approval of a Staff Proposal to Better Manage the SRF Repayment Account), the SWRCB may approve preliminary loan commitments against the current FFY account and against 125 percent of future repayment funds based on scheduled loan dates.

The SRF account balances, anticipated repayment amounts, and project approvals under consideration by the SWRCB in June 1998 are as follows:

	<u>Loan No.</u>	<u>1998 SRF Account</u>	<u>1999 Repayment</u>	<u>2000 Repayment</u>
Repayments:		\$69,327,530	\$68,384,074	\$68,994,744
125% Repayments:			\$85,480,092	\$86,243,430
FFY 97 Carryover:		\$89,526,897		
FFY 98 Fed. Cap. Grant:		\$70,307,120	\$22,146,937	
1996 Bond Funds:			\$39,825,821	
Previous Commitments:		<u>-\$139,416,539</u>	<u>-\$147,452,850</u>	<u>-\$84,895,000</u>
Subtotal:		\$89,745,008	-0-	\$1,348,430
Riverside Flood Control Agency	6011-110	+\$20,000,000		
Metropolitan Water District	6011-110	-\$20,000,000		
Merced County	6050-110	-\$10,000,000		
Nature Conservancy	6054-110	-\$8,000,000		
City of South San Francisco	4614-110	-\$39,000,000		
Sanitation Districts of Los Angeles County	4082-120	-\$879,454		-1,348,430
Balance:		\$31,865,554	-0-	-0-
	<u>Loan No.</u>	<u>2001 Repayment</u>	<u>2002 Repayment</u>	<u>2003 Repayment</u>
Repayments:		\$69,155,488	\$69,299,053	\$69,299,053
125% Repayments:		\$86,444,360	\$86,623,816	
Previous Commitments:		<u>-\$50,000,000</u>	<u>-\$50,000,000</u>	<u>-\$44,966,000</u>
Subtotal:		\$36,444,360	\$36,623,816	\$24,333,053
Sanitation Districts of Los Angeles County	4082-120	-\$14,000,000	-\$14,200,000	-\$2,100,000
Sanitation Districts of Los Angeles County	4082-140		-\$860,000	-\$530,000
Sanitation Districts of Los Angeles County	4082-150		-\$730,000	-\$440,000
Balance:		\$22,444,360	\$20,833,816	\$21,263,053

RWQCB
IMPACT:

Yes. CVRWQCB

STAFF That the SWRCB:



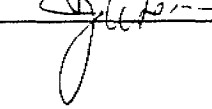
RECOMMEN-
DATION:

1. Update the Project Priority List for FFY 1998 to include the Project.
2. Subject to No. 3 below, approve an SRF loan for \$8 million to the Conservancy for the Acquisition Of Cosumnes River Watershed/Habitat Lands For Preservation Of Wetlands, Protection Of The Cosumnes River Habitat, And Ground Water Replenishment.
3. Approve an SRF loan contingent upon (a) the Conservancy completing the transaction by June 1999 and (b) the SWRCB approving the method of repayment.

Policy Review

Fiscal Review:

Legal Review:



 5/17/98